

Borrowing from a Biblical Perspective™

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Date:

Name:

GOAL: Understanding the biblical guidelines and consequences of borrowing money.

Reflect on the verses from the back page:

What are the main themes of the borrowing passages?

Reflect and pray prior to answering the following questions.

1. How have you made borrowing decisions in the past?

2. Does this align with the borrowing wisdom and warnings discussed in the scripture passages?



4 STEP BORROWING DECISION MATRIX

Step 1 Consider the Economic Impact of Borrowing

- All debt must be paid with after tax dollars, making it harder to payoff.
 - Interest of debt has the opposite effect of compounding interest. Compound interest works to your benefit, but in borrowing, it works against you.
1. If I borrow \$10,000 and I'm in the 25% income tax bracket, I need to earn \$13,300 to pay off the \$10,000 debt.
 2. If I borrow \$300,000 for a house and have a 30 year mortgage at 4% I will pay \$215,609 dollars of interest over a 30 year loan.

Step 2 Do You Have Guaranteed Way to Repay the Debt?

- What are you borrowing against - will it appreciate or depreciate in value?
- How easily can the asset be liquidated - can it be converted to cash in 3-6 months?
- Are you borrowing against a real asset (land, real estate, equipment, etc) or are you borrowing against the future income stream (line of credit/credit card etc)?
- Determine how much cash you need. If you are borrowing money, ideally you should be borrowing against an asset that has real value so that if circumstances change you can liquidate the asset and pay off the debt. (i.e. house, real estate, business interests).
- Warning against: All CONSUMER debt – i.e. credit cards, household furnishings etc. Rule of thumb for automobile purchase: don't borrow more than 50-60% of the fair market value due to vehicle depreciation.

Step 3 Do You Have Spousal Unity?

Because money is a key stress point in marriage borrowing decisions that don't turn out well can put a lot of pressure on the marriage. Therefore,

- Pray about the decision.
- Don't move forward unless you both agree and have peace of mind.
- Review the economic info together.

Step 4 Other Steps to Review Prior to Borrowing

- Will the payment stress the cash flow of my personal or business budget? Make sure you leave margin and don't be overly optimistic.
- Review with your accountant or your financial advisor.
- Ask yourself if there are any other alternatives to borrowing. (i.e. wait, build up cash, buy something less expensive.)

* Proceed Only If All Conditions Are Met THEN Create a Debt Repayment Plan

- Make a goal to payoff within a set timeframe.
- How much extra to put towards principal to meet the timeframe goal?



Your Borrowing Question – When you are ready to borrow money, write the borrowing decision question here. Complete the next step prior to borrowing.

Run the 4 Step Borrowing Decision Matrix against Your Borrowing Decision:

1:

2:

3:

4:

Your Borrowing Decision: MOVE FORWARD/STOP/DELAY



Bare Wealth Advisors Financial Bible Verses

Debt

Proverbs 22:7

Just as the rich rule the poor, so the borrower is servant to the lender.

Psalm 37:21

The wicked borrow and never repay, but the godly are generous givers.

Hebrews 13:5

Don't love money; be satisfied with what you have. For God has said, "I will never fail you. I will never abandon you."

Deuteronomy 28:12

The Lord will send rain at the proper time from his rich treasury in the heavens and will bless all the work you do. You will lend to many nations, but you will never need to borrow from them.

Ecclesiastes 5:5

It is better to say nothing than to make a promise and not keep it.

Matthew 6:24

"No one can serve two masters. For you will hate one and love the other; you will be devoted to one and despise the other. You cannot serve God and be enslaved to money.

Romans 13:8

Owe nothing to anyone—except for your obligation to love one another. If you love your neighbor, you will fulfill the requirements of God's law.



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